

Message Text

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PAGE 01 TOKYO 07074 212246Z
ACTION EB-08

INFO OCT-01 EA-10 ISO-00 FRB-03 TRSE-00 COME-00 STR-07
CIAE-00 INR-10 NSAE-00 OMB-01 /040 W
-----003930 222127Z /65
R 210838Z APR 78
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC 7300
TREASURY/DEP WASHDC

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PASS FEDERAL RESERVE BOARD

E.O. 11652: N/A/
TAGS: EFIN, JA
SUBJECT: BANK OF JAPAN IMPORT SETTLEMENT BILL SYSTEM
REVIVED

1. THE BANK OF JAPAN (BOJ) POLICY BOARD DECIDED APRIL 21 TO REVIVE THE IMPORT SETTLEMENT BILL SYSTEM, EFFECTIVE MAY 22. THIS MOVE IS DESIGNED TO EXPAND AVAILABILITY OF YEN CREDITS FOR IMPORT FINANCING AT THE BOJ OFFICIAL DISCOUNT RATE OF 3.5 PCT PER ANNUM. THE BOJ IN ITS ANNOUNCEMENT SAID IT EXPECTS THE ACTION WILL ENCOURAGE THE YEN SHIFT IN FOREIGN TRADE FINANCING, PROMOTE IMPORTS BY PROVIDING CHEAPER LOANS TO JAPANESE IMPORTERS AND CONTRIBUTE TO IMPROVEMENT OF BANKS' EXTERNAL POSITION.

2. THE BANK OF JAPAN IMPORT SETTLEMENT BILL SYSTEM HAS BEEN SUSPENDED SINCE 1966. UNDER EXISTING FACILITIES, YEN-DENOMINATED IMPORT BILLS ARE ELIGIBLE FOR BOJ DISCOUNT AND LENDING PROGRAMS, BUT THE AMOUNT OF BOJ CREDIT AVAILABLE IS RESTRICTED ON MONETARY POLICY GROUNDS. UNDER THE IMPORT SETTLEMENT BILL SYSTEM AS REVIVED,
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THERE IS NO QUANTITATIVE RESTRICTION ON THE AMOUNT COMMERCIAL BANKS CAN BORROW FROM THE BOJ FOR THREE MONTHS USING ELIGIBLE IMPORT BILLS AS COLLATERAL. THE BOJ ALSO SAID IT WOULD CONSIDER BROADENING THE DEFINITION OF IMPORT BILLS ELIGIBLE FOR USE AS COLLATERAL SO AS TO QUALIFY BILLS OF SMALLER IMPORTERS.

3. YOMIRUI DATED APRIL 21 REPORTED THAT BOJ POLICY BOARD WOULD ANNOUNCE APRIL 21 AN INCREASE IN THE RESERVE REQUIREMENT RATIO ON FOREIGN CURRENCY LIABILITIES OF COMMERCIAL BANKS IN JAPAN FROM PRESENT 0.25 PCT TO AROUND 0.5 PCT, AS PART OF ITS EFFORTS TO PROMOTE THE YEN SHIFT. A BOJ OFFICIAL TELLS US THAT THE BOJ DOES NOT HAVE ANY IMMEDIATE INTENTION OF RAISING THE RESERVE REQUIREMENT RATIO ON FOREIGN CURRENCY LIABILITIES. MANSFIELD

NOTE BY OC/T: MESSAGE DELAYED IN TRANSMISSION.

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NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: IMPORTS, BANKS, LOANS
Control Number: n/a
Copy: SINGLE
Draft Date: 21 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Format: TEL
From: TOKYO
Handling Restrictions: n/a
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ISecure: 1
Legacy Key: link1978/newtext/t19780429/aaaaayce.tel
Line Count: 72
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Litigation History:
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Original Handling Restrictions: n/a
Original Previous Classification: n/a
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Previous Handling Restrictions: n/a
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Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
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Review Withdrawn Fields: n/a
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Secure: OPEN
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Subject: BANK OF JAPAN IMPORT SETTLEMENT BILL SYSTEM REVIVED
TAGS: EFIN, JA, BANK OF JAPAN
To: STATE TRSY
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Review Markings:
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